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R 161751Z MAY 08  
FM AMEMBASSY RABAT  
TO RUEHC/SECSTATE WASHDC 8579  
INFO RUEHCL/AMCONSUL CASABLANCA 4092  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEHEE/ARAB LEAGUE COLLECTIVE  
RUEHLO/AMEMBASSY LONDON 3611  
RUEHFR/AMEMBASSY PARIS 5036  
RUEHNK/AMEMBASSY NOUAKCHOTT 3748

UNCLAS RABAT 000442

DEPT FOR NEA/MAG  
STATE PLEASE PASS TO USTR (BURKHEAD)

SIPDIS  
SENSITIVE

E.O.12958: N/A  
TAGS: [ECON](#) [EPET](#) [EFIN](#) [MO](#)  
SUBJECT: MOROCCO RECEIVES USD 500 MIL SAUDI GIFT

REF: RABAT 00265

**¶1.** (SBU) On May 6, the Moroccan Foreign Ministry announced that Saudi Arabia had granted Morocco USD 500 million to help it weather the shock of oil price increases. Over the previous fortnight Foreign Minister Taieb Fassi Fihri visited Saudi Arabia, Kuwait and the United Arab Emirates as a special envoy of the King. To date, the latter two countries have not made similar offers.

**¶2.** (SBU) The GOM, through its Compensation Fund, subsidizes the retail cost of gasoline, diesel, butane, gas, bread, flour, and sugar (reftel). The cumulative effect of both rising world oil and food prices is becoming increasingly apparent in Morocco. After a year in which it essentially achieved a balanced budget for the first time in decades, Morocco faces the prospect of a sizeable budget shortfall that has already led one international ratings agency to lower its outlook from "positive" to "stable." Many analysts believe the actual cost of Morocco's Compensation Fund will double from its current budgeted level of 20 billion MAD (USD 2.7 billion) to more than 40 billion (USD 5.4 billion), as it is based on a world oil price of 75 USD per barrel.

**¶3.** (SBU) Analysts estimate that each increase above 75 USD in the per barrel price of oil results in an additional 450 million MAD (USD 60.8 million) obligation for Morocco's Compensation Fund. With oil reaching USD 125, Morocco is facing a USD 3.0 billion shortfall. While the USD 500 million Saudi gift (we have assurances it is not a loan) relieves immediate pressure, we note it represents only 17 percent of the projected shortfall. To date, the MFA has released no additional details of the deal and has been non-committal and vague in their responses to our requests for more information. However, one local economic contact remarked, "Certainly, the Saudi gift was welcomed, but the government was hoping for more."

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